

13 September 1983

MEMORANDUM FOR: Director of Personnel

VIA: Inspector General *ST*FROM: 

Chief, Audit Staff

SUBJECT: Report of Audit, Government Employees Health Association, Inc., 1 January 1982 - 31 December 1982

1. Subject report is attached. Please advise me of the action taken on the recommendation contained in the report.

2. We appreciate the cooperation and assistance provided by your staff during the audit.

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Attachment:  
As stated

## Distribution:

- ~~Orig.~~ - D/Pers
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REPORT OF AUDIT  
Government Employees Health Association, Inc.

For the Period  
1 January 1982 - 31 December 1982

SUMMARY

1. Controls and procedures governing the custody and use of Government Employees Health Association, Inc. (GEHA) assets were generally effective and in accordance with applicable requirements. This report contains a recommendation concerning the reconciliation of certain general ledger accounts with their subsidiaries. Minor administrative matters were discussed with responsible officials and resolved during the audit.

SCOPE AND OPINION

2. The audit included an examination of the GEHA statement of financial position as of 31 December 1982 and 1981 and the related statement of changes in reserve fund balances for 1982. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and other auditing procedures, including a review of claim settlement procedures, as we considered necessary under the circumstances.

3. In our opinion, the accompanying financial statements, Exhibits A and B, present fairly the financial position of GEHA at 31 December 1982 and 1981 and the results of its operations for the year ended 31 December 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

BACKGROUND

4. GEHA is a tax-exempt organization incorporated in the District of Columbia to administer employee insurance programs in accordance with Agency operational and security requirements. An elected Board of Directors prescribes GEHA operating policies. The daily business is conducted by the Insurance Branch of the Benefits and Services Division in the Office of Personnel. GEHA reimburses the Agency for the services of [redacted] employees in the Insurance Branch.

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WARNING NOTICE  
INTELLIGENCE SOURCES  
OR METHODS INVOLVED

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5. GEHA maintains  insurance accounts for active and retired employees. The following plans are in effect:

PLANSACCOUNTSLife Insurance:

United Benefit Life Insurance Company  
Active  
Retired

Worldwide Assurance for Employees  
of Public Agencies

Health Insurance:

Association Benefit Plan  
Active  
Retired

Contract Hospitalization

Specified Diseases

Disability Insurance:

Income Replacement

Accidental Death and Dismemberment  
Insurance:

Flight and Accident

Travel Insurance:

Air Flight

Military Air Flight

6. The Association Benefit Plan received premiums of \$20.8 million, paid out benefits of \$21.9 million, and incurred net operating expenses of \$1.7 million for a net underwriting loss of \$2.8 million. This loss was offset from reserves held by Mutual of Omaha and the Office of Personnel Management.

DETAILED COMMENTSReconciliation of General Ledger Accounts

7. The general ledger accounts recording advance premiums for certain employees have not been reconciled with supporting

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records. As a result, the balance of Account 217 which records premiums from Foreign Broadcast Information Service foreign national employees is \$1,300 less than the total of supporting subsidiary records. And the balance of Account 218 which records premiums from contract employees is \$200 more than supporting subsidiary records. We were unable to resolve these differences. Periodic reconciliation of these accounts would help to identify such differences and aid in their timely resolution.

Recommendation:

- a. Adjust the general ledger account balances to agree with supporting subsidiary records.
- b. Reconcile the accounts with subsidiary records quarterly.

Exhibit A

Government Employees Health Association, Inc.  
Statement of Financial Position  
31 December 1982 and 1981

	<u>ASSETS</u>	
	<u>1982</u>	<u>1981</u>
Cash	\$ 400,712	\$ 241,902
Investments (Note 1)	5,503,390	4,782,454
Claims Receivable	37,761	244,836
Contingent Assets:		
Funds Withheld by Underwriter for Specified Policyholders	139,666	139,666
Less: Reserves	(139,666)	(139,666)
Equipment (Net of Depreciation)	<u>1,156</u>	<u>1,734</u>
Total Assets	<u>\$5,943,019</u>	<u>\$5,270,926</u>
 <u>LIABILITIES AND RESERVES</u>		
Accounts Payable	\$ 32,128	\$ 27,389
Prepaid Premiums	137,009	181,205
Accrued Salaries	33,034	49,951
Accrued Dependent Premiums	<u>17,388</u>	<u>17,941</u>
Total Liabilities	219,559	276,486
Reserves (Exhibit B)	<u>5,723,460</u>	<u>4,994,440</u>
Total Liabilities and Reserves	<u>\$5,943,019</u>	<u>\$5,270,926</u>

Note 1: Investments are recorded at cost; market value at 31 December 1982 was \$5,860,000 and at 31 December 1981 was \$4,373,300.

Government Employees Health Association, Inc.  
Statement of Changes in Reserve Fund Balances  
For the Year Ended 31 December 1982

	Total	UBLIC Investment in Common Stock	UBLIC General	Association Benefit Plan	Air Flight Plan	Contract Hospital- ization	General Fund
Balance, 1 January 1982	<u>\$4,994,440</u>	<u>\$560,427</u>	<u>\$3,993,893</u>	<u>\$279,272</u>	<u>\$28,465</u>	<u>\$74,333</u>	<u>\$58,050</u>
Increases:							
Premiums Withheld from or Returned by Underwriter	626,249		52,763	559,592		13,894	
Investment Income	623,803	122,639	481,719		3,458	8,971	7,016
Gain on Sale of Investments	153,394	41,940	106,841		767	1,990	1,856
Miscellaneous	810						810
Total Increases	<u>1,404,256</u>	<u>164,579</u>	<u>641,323</u>	<u>559,592</u>	<u>4,225</u>	<u>24,855</u>	<u>9,682</u>
Decreases:							
Salaries	565,806		19,644	528,674	3,498	13,990	
Premiums for UBLIC Dependent Coverage	42,218		42,218				509
Investment Fees and Expenses	58,245	17,479	39,355		251	651	2,151
Miscellaneous	8,967			6,816			
Total Decreases	<u>675,236</u>	<u>17,479</u>	<u>101,217</u>	<u>535,490</u>	<u>3,749</u>	<u>14,641</u>	<u>2,660</u>
Balance, 31 December 1982	<u>\$5,723,460</u>	<u>\$707,527</u>	<u>\$4,533,999</u>	<u>\$303,374</u>	<u>\$28,941</u>	<u>\$84,547</u>	<u>\$65,072</u>

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